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APPLICATION OF

**WASHINGTON GAS LIGHT COMPANY
AND SHENANDOAH GAS DIVISION OF
WASHINGTON LIGHT COMPANY**

CASE NO. PUE-2002-00364

**For a general increase in natural gas
rates and charges and approval of
performance-based rate regulation
methodology pursuant to Va. Code
§ 56-235.6**

HEARING EXAMINER'S RULING

November 8, 2002

On June 14, 2002, Washington Gas Light Company ("Washington Gas" or "WGL") and the Shenandoah Gas Division ("Shenandoah") of WGL (collectively, "Companies") filed an application with the Commission for a general increase to their current rates and charges for natural gas. The application also seeks approval, pursuant to Va. Code § 56-235.6, for a performance-based form of regulation. The Companies seek an increase of \$23,809,086 in combined annual revenues, or an increase of approximately 6.6% in total operating revenues. The Commission scheduled the application for hearing, established a procedural schedule for the filing of pleadings and prepared testimony and exhibits, and suspended the Companies' proposed rates and charges that were not a result of the proposed performance-based rate methodology through November 11, 2002. The Commission also directed that the incentive rate plan and the rate revisions related to the incentive rate plan would not be implemented unless and until the Commission approves the Companies' performance-based ratemaking methodology.

By letter filed November 4, 2002, the Companies filed an original and fifteen copies of a proposed tariff, Va. S.C.C. No. 9, applicable to service throughout the Companies' service territory in Virginia. The Companies represent that they have removed proposed provisions that relate to the Earnings Sharing Mechanism from this tariff, which will await final action, and request that the Commission approve this tariff for implementation, on an interim basis, for service on and after November 12, 2002. The Companies also request authorization to implement and prorate the revised Purchased Gas Charge ("PGC") effective, on an interim basis, for service on and after November 12, 2002. Finally, the Companies filed an executed bond dated October 28, 2002, in the amount of \$23,810,000 to secure any refunds which may be subsequently ordered by the Commission in this case.

The Commission suspended the rate increase in this case for the full period allowed by law. Va. Code § 56-238 provides that:

If the [rate] proceeding has not been concluded and an order made at the expiration of the [allowed 150-day] suspension period, after notice to the Commission by the public utility making the filing, the proposed rates, tolls, charges, rules or regulations shall go into effect. Where increased rates, tolls or charges are thus made effective, the Commission shall, by order, require the public utility to furnish a bond, to be approved by the Commission, to refund any amounts ordered by the Commission, to keep accurate accounts in detail of all amounts received by reason of such increase, and upon completion of the hearing and decision, to order such public utility to refund, with interest at a rate set by the Commission, the portion of such increased rates, tolls or charges by its decision found not justified.

The Company is thus entitled, by law, to place its proposed rate increase into effect for service rendered on and after November 12, 2002. The proposed interim tariff is necessary since the proposed tariff filed with the application contains provisions that the Commission has found cannot go into effect on an interim basis. The interim tariff and the PGC calculation appear consistent with the Commission's order, the filing herein, and the representations made in the letter filed November 4, 2002.

Having considered the Companies' filing, its bond, and the applicable law, I find that the bond and interim tariff should be accepted. I further find that it is reasonable for the PGC change to be effective on an interim basis coincident with the base rate change, but the Companies should be directed to keep accurate records of all amounts received under the proposed rates should the Commission modify or reject the Companies' proposed rates. Accordingly,

IT IS DIRECTED:

- (1) That the aforesaid bond is accepted;
- (2) That the interim tariff is also accepted for filing;
- (3) That the Companies are authorized to implement and prorate the revised PGC effective, on an interim basis, for service rendered on and after November 12, 2002;
- (4) That the Companies keep accurate accounts in detail of all amounts received under the increased rates which will become effective after expiration of the suspension period;

(5) That interest upon any refund hereinafter ordered by the Commission shall be computed from the date payment is due until the date refunds are made; and

(6) That the Companies shall bear all costs of such refunding.

Deborah V. Ellenberg
Chief Hearing Examiner